

City of Roosevelt Park
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended November 30, 2008

City of Roosevelt Park

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As management of the City of Roosevelt Park, we present to the readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended November 30, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year the City of Roosevelt Park had total assets of \$8,962,328 and total liabilities of \$920,426 leaving net assets of \$8,041,902, an increase of 9% in the City's overall net assets.
- Of the total \$8,041,902 in net assets, the City may use \$2,165,557 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors.
- Total revenues, including all program and general revenues, were \$4,421,484, made up of governmental revenues of \$2,700,599 and business-type revenues of \$1,720,885. Revenues for the City's Downtown Development Authority (DDA) were \$565,637.
- Total expenses for all of the City's programs were \$3,785,608. Of that total, the governmental expenses were \$2,540,100 and the business-type expenses were \$1,245,508. Expenses for the City's DDA were \$494,199.
- The City's general fund reported a total fund balance of \$836,139 at year-end, an increase of \$175,275 over the prior year. The ability to add to this fund balance over the past three years is somewhat unusual for this City. It is however seen as critical to maintaining City activities and services in the immediate future, which is more uncertain than it has been for many years.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. These statements are similar to those of a private sector business. Their purpose is to attempt to answer the question, is the City of Roosevelt Park, in its entirety, better or worse off as a result of this fiscal year's activities?

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the City include general government, public safety, public works and cultural and recreational activities. The business-type activities of the City include water distribution and sewer services.

The government-wide financial statements include not only the City (the primary government) but also the legally separate discretely presented component unit (Downtown Development Authority). The board of this organization is appointed by the City and given the interrelation of the two; there is some potential liability for the City due to the City's pledge of its full faith and credit for debt obligations. The financial information of this component unit is reported in a separate column from the financial information of the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The City has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for Water and Sewer funds both of which are major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

Government-wide Financial Analysis

The first table presented on the next page is a summary of the government-wide statement of net assets for the City. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of November 30, 2008, the City's net assets from governmental activities totaled \$3,472,137 (43%) and \$4,569,765 (57%) from business-type activities, creating a total government-wide net assets total of \$8,041,902.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the City's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for government-type activities actually depict a balance of \$1,099,293. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

The business-type activities show a total of \$4,569,765 in net assets and \$1,066,264 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$332,340 and \$744,797, respectively. Unrestricted net assets in the Sewer and Water funds increased by 14% and 32%, respectively, from the previous year, which was slightly less than at year-end 2007. Recent projects included storm drainage improvements and completion of a watermain on Sherman Boulevard.

The increase in current assets and other assets for governmental activities is reflective of the increase in net assets. Capital assets of governmental activities decreased from 2007 as depreciation exceeded fixed asset additions. With the exception of the purchase of one police car, there were no significant capital acquisitions in 2008.

The increase in current assets and other assets for business-type activities is reflective of the increase in net assets. Capital assets of business activities increased by \$260,722 (or 7%) due to improvements to the Ruddiman Creek culvert, the addition of one vertical drain on Maple Grove and the Sherman watermain.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets and other assets	\$ 1,440,325	\$ 1,250,331	\$ 1,421,988	\$ 1,248,029	\$ 2,862,313	\$ 2,498,360
Capital assets	2,146,986	2,193,307	3,953,029	3,692,307	6,100,015	5,885,614
Total assets	3,587,311	3,443,638	5,375,017	4,940,336	8,962,328	8,383,974
Current liabilities	91,525	108,053	155,252	155,948	246,777	264,001
Noncurrent liabilities	23,649	23,947	650,000	690,000	673,649	713,947
Total liabilities	115,174	132,000	805,252	845,948	920,426	977,948
Net assets						
Invested in capital assets, net of related debt	2,146,986	2,193,307	3,503,501	3,222,454	5,650,487	5,415,761
Restricted	225,858	235,211	-	-	225,858	235,211
Unrestricted	1,099,293	883,120	1,066,264	871,934	2,165,557	1,755,054
Total net assets	\$ 3,472,137	\$ 3,311,638	\$ 4,569,765	\$ 4,094,388	\$ 8,041,902	\$ 7,406,026

City of Roosevelt Park

Management's Discussion and Analysis

The results of this year's operations for the City as a whole are reported in the statement of activities, which shows changes in net assets.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	\$ 753,633	\$ 688,301	\$ 1,464,127	\$ 1,454,229	\$ 2,217,760	\$ 2,142,530
Operating grants	241,643	255,297	-	-	241,643	255,297
Capital grants and contributions	25,375	13,664	238,775	119,280	264,150	132,944
General revenues						
Property taxes	1,235,103	1,199,484	-	-	1,235,103	1,199,484
Franchise fees	46,895	54,340	-	-	46,895	54,340
Grants and contributions not restricted	332,569	332,863	-	-	332,569	332,863
Unrestricted investment earnings	48,321	63,919	17,983	38,672	66,304	102,591
Miscellaneous	17,060	27,275	-	-	17,060	27,275
Gain on sale of asset	-	4,651	-	-	-	4,651
Total revenues	<u>2,700,599</u>	<u>2,639,794</u>	<u>1,720,885</u>	<u>1,612,181</u>	<u>4,421,484</u>	<u>4,251,975</u>
Expenses:						
General government	526,054	568,251	-	-	526,054	568,251
Public safety	1,046,536	971,318	-	-	1,046,536	971,318
Public works	893,047	864,969	-	-	893,047	864,969
Culture and recreation	74,463	61,385	-	-	74,463	61,385
Sewer Fund	-	-	542,320	579,398	542,320	579,398
Water Fund	-	-	703,188	757,311	703,188	757,311
Total expenses	<u>2,540,100</u>	<u>2,465,923</u>	<u>1,245,508</u>	<u>1,336,709</u>	<u>3,785,608</u>	<u>3,802,632</u>
Change in net assets	160,499	173,871	475,377	275,472	635,876	449,343
Net assets - Beginning	3,311,638	3,137,767	4,094,388	3,818,916	7,406,026	6,956,683
Net assets - Ending	<u>\$ 3,472,137</u>	<u>\$ 3,311,638</u>	<u>\$ 4,569,765</u>	<u>\$ 4,094,388</u>	<u>\$ 8,041,902</u>	<u>\$ 7,406,026</u>

At year-end, on November 30, 2008, net assets increased by \$160,499 in governmental activities and \$475,377 in business-type activities. This resulted in an increase of \$635,876 government-wide.

Governmental Activities

For governmental activities overall revenue increased at the rate of 2% (\$60,805 over 2007) which is comparable to prior years, with taxes increasing by 3% and other gains made in the area of fees for services (permits, etc.). Charges for services increased by \$65,332 as the DDA is now paying for its share of fire services through the General Fund rather than directly. Property tax revenues increased due to growth in taxable value. Investment earning declined significantly due to lower interest rates.

Expenses for all governmental activities increased by only \$74,177 or 3.0% as the City worked to contain costs wherever possible. Expenses for activities related to general government services decreased by \$42,197 from savings realized by consolidating the Treasurer and Clerk positions and also from changing liability insurance carriers. The cost of general government shrank by 7.4% which nearly off-set the increase in public safety of 7.7%. Public safety expenses increased by \$75,218 as the City is now paying the DDA's share of fire services and being reimbursed by the DDA rather than the DDA paying this amount directly as noted earlier. Public work expenses increased by \$28,078 due to a moderately severe winter which increased plowing costs and road repair such as pothole filling.

Business-type activities

Business-type activities in 2008 did see stability in rates paid for water and sewer service over those realized in 2007. This was combined with a reduction in staff costs even with an increase in debt requirements to reduce total expenses for the year.

Charges for services remained relatively consistent as a modest rate hike was offset by lower usage. Grants and contributions of capital increased in 2008 for business-type activities by \$119,495 as the DDA built a new water main on Sherman Boulevard and turned that main over to the City. Both Sewer and Water fund expenses decreased even with increases in debt costs for sewage treatment. Expenses in these funds fell in 2008 largely due to reduced labor costs. The City's DPW operated with less staff than in prior years and the focus during the past year was much more in the areas of streets and parks maintenance. In addition the City did not experience any water main breaks and only the usual number of sewer service calls, both of which affected the bottom line for expenses.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2008 fiscal year, the City governmental funds reported a combined unreserved fund balance of \$1,073,770. This number represents the unreserved fund balance \$817,978 in the General Fund and \$255,792 in other governmental funds. The City has designated \$150,000 of the unreserved amount in the General Fund for other post-employment benefits. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$18,161). When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$1,091,931, which consists of a fund balance of \$836,139 in the General Fund and fund balance of \$255,792 in other governmental funds.

The General Fund had an increase in fund balance of \$175,275 compared to an increase of \$179,998 in the prior year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. Net assets in the Sewer Fund and Water Fund increased by \$124,906 and \$350,689, respectively. The result was an overall net increase in the proprietary funds of \$475,595.

General Fund Budget

During the current fiscal year, the City made several amendments to its original budget. In total, General Fund expenditures came in under the budget as amended. Some of the more notable adjustments to individual departments include:

- The original property taxes revenue budget was amended from \$1,240,200 to \$1,271,000 as the initial budget estimate was slightly understated to recognize the uncertainty of the current residential marketplace in a community that is dominated by residential land use; and to set the tone for budgetary expenditures across the General Fund.
- The original licenses and permits revenue budget was amended from \$86,800 to \$120,200 due to another surprisingly strong year for construction activity, especially in the Henry-Norton area, with construction of a new retail center at 3295 Henry and more remodeling in the former Park Row Mall facility. In addition 2008 saw the construction of four new residential units in the City and a variety of remodeling and re-roofing projects in all areas of the City.

- The original budget for attorney services was amended from \$23,800 to \$34,500 due to increased prosecutions, a special study that was prepared by the City Attorney at the request of City Council and assistance provided by the City's Labor Attorney during contract negotiations and on other matters.
- The original parks expenditures budget was amended from \$31,750 to \$47,300 due to a focus during the summer of 2008 on repairing and upgrading various park equipment throughout the City. Much of this equipment was in need of repainting and other restoration. In addition the City replaced several pieces of older playground equipment with new equipment.

The following comments summarize some of the major variations from the final budget to actual revenues and expenditures.

- Licenses and permit revenues were \$15,282 more than budgeted because of increased construction activity, especially in the Henry/Norton area of the City.
- State intergovernmental revenues were \$58,801 more than budgeted because of the high degree of uncertainty as to what might happen to State Shared Revenue during 2008 and the approach taken of lowering expectations.
- Clerk expenditures were \$13,873 less than budgeted because of the combining of the duties of the Clerk with that of the Treasurer.
- Treasurer expenditures were \$21,479 less than budgeted because of the combining of the duties of the Treasurer with that of the Clerk.
- Police department expenditures were \$27,559 less than budgeted because of two retirements including the Chief of Police and a long standing veteran officer.

Capital Assets

The City investment in capital assets for its governmental and business-type activities as of November 30, 2008 totaled \$6,100,015 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

- A new police car for \$21,195.
- Sidewalk improvements for \$17,604.
- Ruddiman Creek culvert improvements for \$52,818.
- New vertical well for improved drainage for \$59,177.
- A new lawn mower for \$6,891.
- Sherman water main improvements for \$238,775.

CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 295,147	\$ 295,147	\$ 600	\$ 600	\$ 295,747	\$ 295,747
Construction in progress	47,445	-	-	-	47,445	-
Buildings and improvements	502,469	523,477	-	-	502,469	523,477
Vehicles and equipment	221,537	250,236	-	-	221,537	250,236
Infrastructure	1,080,388	1,124,447	-	-	1,080,388	1,124,447
Sewer system	-	-	2,132,024	2,060,580	2,132,024	2,060,580
Water system	-	-	1,820,405	1,631,127	1,820,405	1,631,127
Total	<u>\$ 2,146,986</u>	<u>\$ 2,193,307</u>	<u>\$ 3,953,029</u>	<u>\$ 3,692,307</u>	<u>\$ 6,100,015</u>	<u>\$ 5,885,614</u>

Additional information on the City's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

Long-term Debt

At the end of the 2008 fiscal year, the City had total outstanding debt of \$727,649 consisting of bonds and compensated absences. The \$690,000 in the business-type activities is backed by the full-faith and credit of the City. The payment of these bonds is through the revenues generated from the Water and Sewer funds.

OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2006
Compensated absences	\$ 37,649	\$ 39,947	\$ -	\$ -	\$ 37,649	\$ 39,947
General obligation bonds	-	-	690,000	770,871	690,000	770,871
Total	<u>\$ 37,649</u>	<u>\$ 39,947</u>	<u>\$ 690,000</u>	<u>\$ 770,871</u>	<u>\$ 727,649</u>	<u>\$ 810,818</u>

The City's total debt decreased by \$83,169 due to scheduled debt payments.

In addition to the City's debt, the City's DDA component unit had outstanding debt of \$1,465,000. This debt is secured by the limited full faith and credit of the City and so is an important consideration in assessing the City's overall fiscal health.

Additional information on the City's long-term debt can be found in Note G of the "Notes to Financial Statements" of this report.

General Economic Overview

The City continues to see fiscal accountability and financial stability as its top priority. The operating margin between revenues and typical expenses for all services is small and will continue to be our greatest and on-going challenge.

<u>YEAR</u>	<u>TOTAL PROPERTY TAXES</u> <u>(percentage change)</u>	<u>STATE SHARED REVENUE</u> <u>(percentage change)</u>
2008	\$ 1,235,103 (+2.96%)	\$ 332,569 (-4.39%)
2007	\$ 1,199,484 (+3.00%)	\$ 347,843 (-1.48%)
2006	\$ 1,164,564 (+4.60%)	\$ 353,077 (-1.17%)
2005	\$ 1,113,254 (+4.39%)	\$ 357,274 (+4.4%)
2004	\$ 1,066,447 (+4.54%)	\$ 342,175 (-9.03%)
2003	\$ 1,020,109 (+3.75%)	\$ 376,159 (-7.30%)
2002	\$ 983,205	\$ 405,778

The least understood component of the City's General Fund is how little of the services provided by the General Fund are supported by local property taxes. During 2008 only 55% of all General Fund revenues came from real and personal property taxes...and of course a sizeable component of that total came from the industrial and commercial (not residential) sectors. The challenge for Roosevelt Park's leadership will continue to be this "perfect storm" created by struggles with a strong public attitude or perception that local property taxes are high, that the City has all the money it needs (or even more than it needs) and that services to the public are a much higher priority than replacing the City's aging streets and other infrastructure.

For fiscal 2009, one of the more significant uncertainties is what might happen with state revenue sharing funding. Obviously income tax and other revenues have declined for the State of Michigan and as the general economy of this State and in fact the country as a whole, continues to struggle, the long-term stability of the present revenue sharing system will continue to be in doubt. Any additional shortfall in revenue sharing and/or any other future cuts in revenues will affect the services that are provided to the residents of Roosevelt Park. State shared revenue totals 15% of the City's total General Fund budget and as the data above indicates, the general trend in funds received has been downward since 2002. One possible pitfall is that taxpayers in general, have repeatedly heard about the decline in revenue sharing to the point where they might be immune to the difficulties that could lie ahead.

The City has undertaken a number of measures in the recent past to create a budget that is in tune with these current challenging times. Total staff size has been reduced in recent years. The latest changes made were within the City Hall and Police Department during 2008. The full-time position of City Clerk was combined with that of the Treasurer. A full-time front desk support staff position within the Police Department was reduced to half-time and combined with another half-time front desk position on the City Hall side of the front counter. All commodity and capital purchases continue to be carefully scrutinized in an attempt to determine necessity or if a less expensive alternative exists. Health insurance cost increases for both active employees and especially Medicare-eligible retirees continues to be a significant issue. As in 2008 a change in the coverage format was implemented for the 2009 renewal to reduce monthly premiums. GASB 45, for pre-funding of retiree health care and representing the liability, will have a noticeable financial impact.

Water and sewer fees represent a significant portion of the total City budget, with revenue of \$1,464,127 in 2008, which represents a 4% increase over 2007. Total expenses for both funds did fall in 2008 by 6.8%, against the 2007 totals. As is stated elsewhere this was primarily due to the fact that neither system required much in the way of maintenance during 2008 which kept labor costs down. Both funds ended the year with small operating profits. Monies from both funds will be needed during 2009 for necessary system improvements. As for the immediate short-term, the Sewer Fund will face a definite impact in cost of treatment in the near future as additional debt will be passed on to customer communities by the Muskegon County Wastewater system as a result of mandated improvements. The rate charged by the City of Muskegon for water has remained stable for several years and hopefully that will continue.

Requests for Information

This financial report is designed to provide a general overview of the City of Roosevelt Park's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Roosevelt Park, 900 Oak Ridge Road, Roosevelt Park, MI, 49441, (231) 755-3721.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

February 26, 2009

Honorable Mayor and Members
of the City Council
City of Roosevelt Park
City of Roosevelt Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park as of and for the year ended November 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Roosevelt Park's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park, as of November 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information on pages i - xi and 27 - 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roosevelt Park's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley De Long, P.C.

City of Roosevelt Park
STATEMENT OF NET ASSETS (DEFICITS)
November 30, 2008

	ASSETS			
	Governmental activities	Business-type activities	Total	Component unit
CURRENT ASSETS				
Cash and investments	\$ 1,318,941	\$ 824,121	\$ 2,143,062	\$ 332,901
Receivables	66	365,268	365,334	-
Due from other governmental units	91,884	-	91,884	-
Internal balances	10,873	(10,873)	-	-
Inventories	400	3,000	3,400	-
Prepaid items	18,161	-	18,161	-
Total current assets	1,440,325	1,181,516	2,621,841	332,901
NONCURRENT ASSETS				
Restricted assets	-	221,516	221,516	-
Capital assets, net				
Nondepreciable	342,592	600	343,192	-
Depreciable	1,804,394	3,952,429	5,756,823	-
Bond issue costs, net	-	18,956	18,956	-
Total noncurrent assets	2,146,986	4,193,501	6,340,487	-
Total assets	3,587,311	5,375,017	8,962,328	332,901
LIABILITIES AND NET ASSETS (DEFICITS)				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	34,148	35,245	69,393	41,132
Due to other governmental units	43,377	80,007	123,384	-
Bonds and other obligations, due within one year	14,000	40,000	54,000	75,000
Total current liabilities	91,525	155,252	246,777	116,132
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	23,649	650,000	673,649	1,390,000
Total liabilities	115,174	805,252	920,426	1,506,132
NET ASSETS (DEFICITS)				
Invested in capital assets, net of related debt	2,146,986	3,503,501	5,650,487	-
Restricted for streets and highways	225,858	-	225,858	-
Unrestricted	1,099,293	1,066,264	2,165,557	(1,173,231)
Total net assets (deficits)	\$ 3,472,137	\$ 4,569,765	\$ 8,041,902	\$ (1,173,231)

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF ACTIVITIES
For the year ended November 30, 2008

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			Component unit
					Governmental activities	Business-type activities	Total	
Primary government								
Governmental activities								
General government	\$ 526,054	\$ 36,045	\$ -	\$ -	\$ (490,009)	\$ -	\$ (490,009)	\$ -
Public safety	1,046,536	210,094	1,568	-	(834,874)	-	(834,874)	-
Public works	893,047	499,971	232,475	25,375	(135,226)	-	(135,226)	-
Culture and recreation	74,463	7,523	7,600	-	(59,340)	-	(59,340)	-
Total governmental activities	2,540,100	753,633	241,643	25,375	(1,519,449)	-	(1,519,449)	-
Business-type activities								
Sewer	542,320	655,441	-	-	-	113,121	113,121	-
Water	703,188	808,686	-	238,775	-	344,273	344,273	-
Total business-type activities	1,245,508	1,464,127	-	238,775	-	457,394	457,394	-
Total primary government	\$ 3,785,608	\$ 2,217,760	\$ 241,643	\$ 264,150	(1,519,449)	457,394	(1,062,055)	-
Component unit								
Downtown Development Authority								
General government	\$ 31,800	\$ -	\$ -	\$ -	-	-	-	(31,800)
Public safety	103,500	-	-	-	-	-	-	(103,500)
Public works	293,116	-	-	-	-	-	-	(293,116)
Interest on long-term debt	65,783	-	-	-	-	-	-	(65,783)
Total component unit	\$ 494,199	\$ -	\$ -	\$ -	-	-	-	(494,199)
General revenues								
Property taxes					1,235,103	-	1,235,103	551,949
Franchise fees					46,895	-	46,895	-
Grants and contributions not restricted to specific programs					332,569	-	332,569	-
Unrestricted investment earnings					48,321	17,983	66,304	13,688
Miscellaneous					17,060	-	17,060	-
Total general revenues					1,679,948	17,983	1,697,931	565,637
Change in net assets					160,499	475,377	635,876	71,438
Net assets (deficit) at December 1, 2007					3,311,638	4,094,388	7,406,026	(1,244,669)
Net assets (deficit) at November 30, 2008					\$ 3,472,137	\$ 4,569,765	\$ 8,041,902	\$ (1,173,231)

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
BALANCE SHEET
Governmental Funds
November 30, 2008

	General Fund	Other governmental funds	Total governmental funds
ASSETS			
Cash and investments	\$ 834,337	\$ 225,008	\$ 1,059,345
Accounts receivable	66	-	66
Due from other governmental units	61,100	30,784	91,884
Prepaid items	18,161	-	18,161
Total assets	<u>\$ 913,664</u>	<u>\$ 255,792</u>	<u>\$ 1,169,456</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 19,361	\$ -	\$ 19,361
Accrued liabilities	14,787	-	14,787
Due to other governmental units	43,377	-	43,377
Total liabilities	77,525	-	77,525
Fund balances			
Reserved for prepaid items	18,161	-	18,161
Unreserved			
Designated for other post-employment benefits, reported in General Fund	150,000	-	150,000
Undesignated, report in			
General Fund	667,978	-	667,978
Special revenue funds	-	255,792	255,792
Total fund balances	<u>836,139</u>	<u>255,792</u>	<u>1,091,931</u>
Total liabilities and fund balances	<u>\$ 913,664</u>	<u>\$ 255,792</u>	<u>\$ 1,169,456</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
November 30, 2008

Total fund balance—governmental funds	\$	1,091,931
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 2,791,970	
Accumulated depreciation	<u>(668,351)</u>	2,123,619

Long-term liabilities in governmental activities are not due and payable in the
current period and are not reported in the governmental funds.

Compensated absences	(37,649)
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Internal service funds are used by management to charge the costs of certain activities
to individual funds. The assets and liabilities of the internal service funds are reported
with governmental activities in the Statement of Net Assets.

	<u>294,236</u>
Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>3,472,137</u></u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended November 30, 2008

	General Fund	Other governmental funds	Total governmental funds
REVENUES			
Property taxes	\$ 1,235,103	\$ -	\$ 1,235,103
Licenses and permits	135,482	-	135,482
Intergovernmental revenues			
Federal	-	4,017	4,017
State	337,901	211,280	549,181
Charges for services	626,781	-	626,781
Fines and forfeitures	18,489	-	18,489
Investment earnings	41,455	11,018	52,473
Other	25,548	25,303	50,851
Total revenues	2,420,759	251,618	2,672,377
EXPENDITURES			
Current			
General government	494,097	-	494,097
Public safety	1,039,209	-	1,039,209
Public works	623,719	245,845	869,564
Culture and recreation	51,040	12,564	63,604
Other governmental functions	16,224	-	16,224
Capital outlay	21,195	-	21,195
Total expenditures	2,245,484	258,409	2,503,893
Net change in fund balances	175,275	(6,791)	168,484
Fund balances at December 1, 2007	660,864	262,583	923,447
Fund balances at November 30, 2008	\$ 836,139	\$ 255,792	\$ 1,091,931

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended November 30, 2008

Net change in fund balances—total governmental funds	\$	168,484
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (100,393)	
Capital outlay	<u>64,886</u>	(35,507)

Contributions of capital assets are recorded as revenues in the Statement of Activities, but not in the governmental funds.		21,358
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		2,298
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The internal service funds are used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities.		<u>3,866</u>
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Change in net assets of governmental activities	\$	<u><u>160,499</u></u>
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The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF NET ASSETS
Proprietary Funds
November 30, 2008

ASSETS

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
CURRENT ASSETS				
Cash and investments	\$ 233,901	\$ 590,220	\$ 824,121	\$ 259,596
Accounts receivable	159,685	205,583	365,268	-
Inventories	-	3,000	3,000	400
Total current assets	393,586	798,803	1,192,389	259,996
NONCURRENT ASSETS				
Restricted assets	221,516	-	221,516	-
Capital assets				
Land	-	600	600	-
Utility systems	3,056,996	2,267,226	5,324,222	-
Buildings and improvements	-	16,029	16,029	-
Vehicles and equipment	-	-	-	557,006
Less accumulated depreciation	(924,971)	(462,851)	(1,387,822)	(533,639)
Net capital assets	2,132,025	1,821,004	3,953,029	23,367
Bond issuance costs, net	-	18,956	18,956	-
Total noncurrent assets	2,353,541	1,839,960	4,193,501	23,367
Total assets	2,747,127	2,638,763	5,385,890	283,363
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	30,345	-	30,345	-
Accrued liabilities	2,000	2,900	4,900	-
Due to other governmental units	28,901	51,106	80,007	-
Bonds and other obligations, due within one year	16,500	23,500	40,000	-
Total current liabilities	77,746	77,506	155,252	-
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	266,000	384,000	650,000	-
Total liabilities	343,746	461,506	805,252	-
NET ASSETS				
Invested in capital assets, net of related debt	2,071,041	1,432,460	3,503,501	23,367
Unrestricted	332,340	744,797	1,077,137	259,996
Total net assets	\$ 2,403,381	\$ 2,177,257	4,580,638	\$ 283,363
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(10,873)	
Net assets of business-type activities			\$ 4,569,765	

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the year ended November 30, 2008

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
REVENUES				
Charges for services	\$ 631,830	\$ 786,188	\$ 1,418,018	\$ 94,124
OPERATING EXPENSES				
Administration	99,272	122,947	222,219	13,924
Operations	390,008	513,946	903,954	51,242
Depreciation and amortization	40,551	36,713	77,264	32,172
Total operating expenses	529,831	673,606	1,203,437	97,338
Operating income (loss)	101,999	112,582	214,581	(3,214)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	11,745	6,238	17,983	6,862
Connection fees	23,611	22,498	46,109	-
Loss on disposal of capital assets	-	(15,341)	(15,341)	-
Interest expense	(12,449)	(14,063)	(26,512)	-
Total nonoperating revenues (expenses)	22,907	(668)	22,239	6,862
Income before capital contributions	124,906	111,914	236,820	3,648
Capital contributions	-	238,775	238,775	-
Change in net assets	124,906	350,689	475,595	3,648
Net assets at December 1, 2007	2,278,475	1,826,568		279,715
Net assets at November 30, 2008	\$ 2,403,381	\$ 2,177,257		\$ 283,363
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds			(218)	
Change in net assets of business-type activities			\$ 475,377	

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended November 30, 2008

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 615,362	\$ 769,513	\$ 1,384,875	\$ -
Receipts from interfund services provided	-	-	-	94,124
Payments to suppliers	(422,965)	(596,873)	(1,019,838)	(48,471)
Payments to employees	(23,859)	(35,946)	(59,805)	(17,885)
Payment for interfund services used	(1,164)	(5,191)	(6,355)	-
Net cash provided by operating activities	167,374	131,503	298,877	27,768
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	-	238,775	238,775	-
Connection fees	23,611	22,498	46,109	-
Purchases of capital assets	(111,995)	(238,775)	(350,770)	-
Principal paid on capital debt	(63,371)	(17,500)	(80,871)	-
Interest paid on capital debt	(12,449)	(14,063)	(26,512)	-
Net cash used for capital and related financing activities	(164,204)	(9,065)	(173,269)	-
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	11,745	6,238	17,983	6,862
Net increase in cash and investments	14,915	128,676	143,591	34,630
Cash and investments at December 1, 2007	440,502	461,544	902,046	224,966
Cash and investments at November 30, 2008	<u>\$ 455,417</u>	<u>\$ 590,220</u>	<u>\$ 1,045,637</u>	<u>\$ 259,596</u>
Reconciliation of cash and investments to the Statement of Net Assets				
Cash and investments	\$ 233,901	\$ 590,220	\$ 824,121	\$ 259,596
Restricted assets	221,516	-	221,516	-
	<u>\$ 455,417</u>	<u>\$ 590,220</u>	<u>\$ 1,045,637</u>	<u>\$ 259,596</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 101,999	\$ 112,582	\$ 214,581	\$ (3,214)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization expense	40,551	36,713	77,264	32,172
Change in assets and liabilities				
Receivables, net	(16,468)	(16,675)	(33,143)	-
Accounts payable	30,345	(1,299)	29,046	(1,190)
Due to other governmental units	10,947	182	11,129	-
Net cash provided by operating activities	<u>\$ 167,374</u>	<u>\$ 131,503</u>	<u>\$ 298,877</u>	<u>\$ 27,768</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
November 30, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ <u>2,231</u>
LIABILITIES	
Due to other governmental units	\$ <u>2,231</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Roosevelt Park (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member City Council and is administered by a city manager appointed by the City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a November 30 fiscal year end.

Discretely Presented Component Unit

City of Roosevelt Park Downtown Development Authority. The Authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the City's downtown district. Board members of the DDA are appointed by the City and the Authority is fiscally dependent on the City since the council approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following two major proprietary funds:

The Sewer Fund operates the City's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

The Water Fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

Internal Service Funds account for equipment management services provided to other funds of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity.

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the City's investment pool.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the City totaled approximately \$125,000,000 of which approximately \$24,200,000 was captured by the component unit. The ad valorem taxes levied consisted of 11.6 mills for the City's operating purposes. This amount is recognized in the General Fund with captured amounts shown in the DDA component unit.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Unspent proceeds of the 2007 General Obligation Capital Improvement Bonds are shown as restricted assets on the statement of net assets because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets—Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include only items acquired since December 1, 2003 as allowed by generally accepted accounting principles.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-40
Office furniture and equipment	5-30
Vehicles and equipment	5-10
Infrastructure	10-50

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to October 31, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- c. Not later than October 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplemental budgetary appropriations throughout the year.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE C—DEPOSITS AND INVESTMENTS

As of November 30, 2008, the City had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market mutual fund	\$ 535,913	2	AAA	31.8 %
Negotiable certificates of deposit	33,681	2	not rated	2.0
Overnight repurchase agreements	<u>1,113,910</u>	<u>1</u>	AAA	<u>66.2</u>
Total fair value	<u>\$ 1,683,504</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>1</u>		

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. The City does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of November 30, 2008, \$979,177 of the City's bank balance of \$1,229,177 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The City does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2008 was as follows:

	Balance December 1, 2007	Additions	Deductions	Balance November 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 295,147	\$ -	\$ -	\$ 295,147
Construction in progress	<u>-</u>	<u>47,445</u>	<u>-</u>	<u>47,445</u>
Total capital assets, not being depreciated	295,147	47,445	-	342,592
Capital assets, being depreciated:				
Land improvements	57,023	-	-	57,023
Buildings and improvements	840,301	-	-	840,301
Vehicles and equipment	867,795	21,195	26,383	862,607
Infrastructure	<u>1,228,849</u>	<u>17,604</u>	<u>-</u>	<u>1,246,453</u>
Total capital assets, being depreciated	2,993,968	38,799	26,383	3,006,384
Less accumulated depreciation:				
Land improvements	57,023	-	-	57,023
Buildings and improvements	316,824	21,008	-	337,832
Vehicles and equipment	617,559	49,894	26,383	641,070
Infrastructure	<u>104,402</u>	<u>61,663</u>	<u>-</u>	<u>166,065</u>
Total accumulated depreciation	<u>1,095,808</u>	<u>132,565</u>	<u>26,383</u>	<u>1,201,990</u>
Total capital assets, being depreciated, net	<u>1,898,160</u>	<u>(93,766)</u>	<u>-</u>	<u>1,804,394</u>
Capital assets, net	<u>\$ 2,193,307</u>	<u>\$ (46,321)</u>	<u>\$ -</u>	<u>\$ 2,146,986</u>

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE D—CAPITAL ASSETS—Continued

	Balance December 1, 2007	Additions	Deductions	Balance November 30, 2008
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 600	\$ -	\$ -	\$ 600
Capital assets, being depreciated:				
Sewer system	2,945,001	111,995	-	3,056,996
Water system	2,048,725	238,775	20,274	2,267,226
Buildings and improvements	16,029	-	-	16,029
Total capital assets, being depreciated	5,009,755	350,770	20,274	5,340,251
Less accumulated depreciation:				
Sewer system	884,421	40,551	-	924,972
Water system	417,598	34,157	4,934	446,821
Buildings and improvements	16,029	-	-	16,029
Total accumulated depreciation	1,318,048	74,708	4,934	1,387,822
Total capital assets, being depreciated, net	3,691,707	276,062	15,340	3,952,429
Capital assets, net	\$ 3,692,307	\$ 276,062	\$ 15,340	\$ 3,953,029

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 18,030
Public safety	7,327
Public works	64,919
Culture and recreation	10,117
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	32,172
	<u>\$ 132,565</u>

Business-type activities:

Sewer	\$ 40,551
Water	34,157
	<u>\$ 74,708</u>

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE E—ACCESS RIGHTS

Access rights activity for the year ended November 30, 2008 was as follows:

	Balance December 1, 2007	Additions	Deductions	Balance November 30, 2008
Business-type activities				
Access rights	\$ 170,137	\$ -	\$ 170,137	\$ -
Less accumulated amortization	<u>170,137</u>	<u>-</u>	<u>170,137</u>	<u>-</u>
Access rights, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Amortization

Amortization expense has been charged to sewer.

NOTE F—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended November 30, 2008 was as follows:

	Balance December 1, 2007	Additions	Deductions	Balance November 30, 2008
Business-type activities				
Bond issuance costs	\$ 21,512	\$ -	\$ -	\$ 21,512
Less accumulated amortization	<u>-</u>	<u>2,556</u>	<u>-</u>	<u>2,556</u>
Bond issuance costs, net	<u>\$ 21,512</u>	<u>\$ (2,556)</u>	<u>\$ -</u>	<u>\$ 18,956</u>

Amortization

Amortization expense has been charged to water.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE G—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended November 30, 2008.

	Balance December 1, 2007	Additions	Reductions	Balance November 30, 2008	Due within one year
Governmental activities:					
Compensated absences	\$ 39,947	\$ 45,907	\$ 48,205	\$ 37,649	\$ 14,000
Business-type activities:					
General obligation bonds	\$ 770,871	\$ -	\$ 80,871	\$ 690,000	\$ 40,000
Component unit:					
General obligation bonds	\$ 1,540,000	\$ -	\$ 75,000	\$ 1,465,000	\$ 75,000

Business-type activities:

General obligation bonds:

\$720,000 General Obligation Capital Improvement
Bonds of 2007; payable in annual installments of
\$40,000 to \$70,000 through April 2021; interest at
rates varying from 4% to 4.38%

\$ 690,000

Component unit:

General obligation bonds:

\$1,825,000 General Obligation Limited Tax
Bonds of 2002; payable in annual
installments of \$75,000 to \$225,000
through October 2018; interest at
rates varying from 3.7% to 4.7%

\$ 1,465,000

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE G—LONG-TERM DEBT—Continued

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on November 30, 2008 was \$1,113,597. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for debt outstanding as of November 30, 2008 follows:

Year ending November 30,	Business-type activities		Component unit	
	Principal	Interest	Principal	Interest
2009	\$ 40,000	\$ 27,325	\$ 75,000	\$ 63,557
2010	40,000	25,725	95,000	60,783
2011	40,000	24,125	100,000	56,982
2012	45,000	22,425	125,000	52,983
2013	45,000	20,625	135,000	47,920
2014-2018	275,000	72,325	935,000	136,500
2019-2021	205,000	13,550	-	-
	<u>\$ 690,000</u>	<u>\$ 206,100</u>	<u>\$ 1,465,000</u>	<u>\$ 418,725</u>

NOTE H—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the government carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE H—OTHER INFORMATION—Continued

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Post-Retirement Health Care

The City has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were six retired employees receiving benefits. The City finances the Plan on a pay-as-you-go basis. For the year ended November 30, 2008, the City's post-retirement health care cost under the Plan was approximately \$63,500.

The City has designated \$150,000 of fund balance in the General Fund in anticipation of the adoption of GASB 45 which will require retiree healthcare to be pre-funded or shown as a liability.

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Plan

Plan Description. The City of Roosevelt Park is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City of Roosevelt Park. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Roosevelt Park
900 Oak Ridge Road
Roosevelt Park, MI 49441

Funding Policy. Plan members are not required to contribute to the plan. The City is required to contribute at an actuarially-determined rate; the current rate is 14.8 to 16.36 percent of annual covered payroll depending on the Plan. The contributions requirement of plan members and the City are established and may be amended by MERS.

Annual Pension Cost. For the year ended November 30, 2008, the City's annual pension cost was approximately \$112,000, which was equal to the City's required and actual contribution.

Three-Year Trend Information for MERS

Year ending	Approximate Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
11/30/06	\$ 105,000	100 %	\$ -
11/30/07	117,000	100	-
11/30/08	112,000	100	-

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS—CONTINUED
November 30, 2008

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Pension Plan—Continued

The required contribution was determined by an actuarial valuation of the Plan as of December 31, 2005. The employer contribution rate has been determined using the entry age normal cost funding method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 8.40 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007 was 28 years which will be reduced by one year in each of the next eight valuations until reaching 20 years after which the 20 year period will be reestablished with each annual actuarial valuation.

Funding Status and Funding Progress. As of December 31, 2007, the most recent actuarial valuation date, the plan was 79 percent funded. The actuarial accrued liability for benefits was approximately \$3,864,000, and the actuarial value of assets was approximately \$3,067,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$797,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$688,000, and the ratio of the UAAL to the covered payroll was 116 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE J—SUBSEQUENT EVENT

Subsequent to year end, the City entered into a contract with the Michigan Department of Transportation (M-DOT) for the Glenside Boulevard Phase II reconstruction project. The project has an estimated cost of \$919,200 with M-DOT's share being a maximum of \$578,000 and the City's estimated share being \$341,200. The City's share will be paid from the Major Streets Fund.

REQUIRED SUPPLEMENTARY INFORMATION

City of Roosevelt Park
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended November 30, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,240,200	\$ 1,271,000	\$ 1,235,103	\$ (35,897)
Licenses and permits	86,800	120,200	135,482	15,282
Intergovernmental revenues - State	277,600	279,100	337,901	58,801
Charges for services	617,620	617,620	626,781	9,161
Fines and forfeitures	6,200	18,200	18,489	289
Investment earnings	32,000	36,500	41,455	4,955
Other	21,700	28,950	25,548	(3,402)
Total revenues	2,282,120	2,371,570	2,420,759	49,189
EXPENDITURES				
Current				
General government				
City Council	15,400	15,400	13,436	1,964
City manager	104,580	104,580	103,088	1,492
Clerk	69,500	69,500	55,627	13,873
Treasurer	71,630	71,630	50,151	21,479
Assessor	30,290	33,600	33,519	81
Attorney	23,800	34,500	31,924	2,576
Office operations	65,900	65,900	63,357	2,543
Personnel	67,100	69,600	73,549	(3,949)
City hall, garage and grounds	87,800	79,740	69,446	10,294
Public safety				
Police department	696,300	699,100	671,541	27,559
Fire department	289,400	289,400	284,933	4,467
Inspections	50,100	86,410	82,735	3,675
Public works				
Public service	438,800	441,300	443,165	(1,865)
Sidewalks	5,000	5,900	11,462	(5,562)
Sanitation	174,800	172,700	169,092	3,608
Culture and recreation				
Parks	31,750	47,300	51,040	(3,740)
Other governmental functions	16,860	16,860	16,224	636
Capital outlay	24,300	21,500	21,195	305
Total expenditures	2,263,310	2,324,920	2,245,484	79,436
Net change in fund balance	\$ 18,810	\$ 46,650	175,275	\$ 128,625
Fund balance at December 1, 2007			660,864	
Fund balance at November 30, 2008			\$ 836,139	

City of Roosevelt Park
Required Supplemental Information
SCHEDULE OF FUNDING PROGRESS FOR MERS PENSION PLAN
For the year ended November 30, 2008

(Dollar amounts in thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
12/31/05	\$ 2,712	\$ 3,282	\$ 570	83 %	\$ 646	88 %
12/31/06	2,879	3,491	612	82	785	78
12/31/07	3,067	3,864	797	79	688	116

OTHER SUPPLEMENTAL INFORMATION

City of Roosevelt Park
COMBINING BALANCE SHEET
 Other Governmental Funds
 November 30, 2008

		Special Revenue		
	Total other governmental funds	Major Streets	Local Streets	Roosevelt Park Day
ASSETS				
Cash and investments	\$ 225,008	\$ 140,069	\$ 55,005	\$ 29,934
Due from other governmental units	30,784	22,276	8,508	-
Total assets	<u>\$ 255,792</u>	<u>\$ 162,345</u>	<u>\$ 63,513</u>	<u>\$ 29,934</u>
FUND BALANCES				
Unreserved				
Undesignated	<u>\$ 255,792</u>	<u>\$ 162,345</u>	<u>\$ 63,513</u>	<u>\$ 29,934</u>

City of Roosevelt Park
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended November 30, 2008

	Total other governmental funds	Special Revenue		
		Major Streets	Local Streets	Roosevelt Park Day
REVENUES				
Intergovernmental revenues				
Federal	\$ 4,017	\$ 4,017	\$ -	\$ -
State	211,280	152,899	58,381	-
Investment earnings	11,018	6,953	4,062	3
Other	25,303	10,180	-	15,123
Total revenues	251,618	174,049	62,443	15,126
EXPENDITURES				
Current				
Public works	245,845	172,218	73,627	-
Culture and recreation	12,564	-	-	12,564
Total expenditures	258,409	172,218	73,627	12,564
Net change in fund balances	(6,791)	1,831	(11,184)	2,562
Fund balances at December 1, 2007	262,583	160,514	74,697	27,372
Fund balances at November 30, 2008	\$ 255,792	\$ 162,345	\$ 63,513	\$ 29,934

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

February 26, 2009

City Council
City of Roosevelt Park
Roosevelt Park, Michigan

In planning and performing our audit of the financial statements of the City of Roosevelt Park as of and for the year ended November 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Roosevelt Park's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Roosevelt Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Roosevelt Park's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and a deficiency that we consider to be a material weakness.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified and we have attached a deficiency in internal control that we consider to be a significant deficiency.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the attached deficiencies, identified as a material weakness, constitute material weaknesses.

This communication is intended solely for the information and use of management, the Board of Directors, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Brickley De Long, P.C.

MATERIAL WEAKNESSES

Recommendation 1: Year end closing procedures should be improved to increase the accuracy of year end balances.

During our audit, we noted several accounts that required adjustment including prepaid items, accounts payable, accrued payroll, and restricted cash. These adjustments had a material effect on the City's financial statements.

Improving year end closing procedures would increase the accuracy of the City's financial records and enable the City Council to more effectively evaluate the financial position and results of operations of the City and make more informed decisions on financial matters.

Recommendation 2: Property tax revenue should be reconciled against the County of Muskegon settlement reports on an annual basis.

During our audit, we noted that the property tax revenue of the City and DDA did not reconcile with the County of Muskegon settlement report.

The annual reconciliation of property tax revenue with the County of Muskegon's settlement reports would ensure that all property tax revenue was properly received and accounted for on the City's general ledger.

Recommendation 3: Tax Collector account should be reconciled to the general ledger.

During our audit, we noted that, although the City is preparing a bank reconciliation for the Tax Collector account, the general ledger does not agree to the bank reconciliation for the Tax Collector Fund.

Bank reconciliations serve as a control procedure to determine that financial activity is in agreement with bank statement activity for the same period. The preparation of bank reconciliations ensure detection of errors committed by the bank and/or City personnel in the recording and reporting of cash transactions.

SIGNIFICANT DEFICIENCY

Recommendation 4: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.